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Utah Has Opened Door to Interstate Branch Banking

By SAM ZUCKERMAN

SAN FRANCISCO — In a little-noticed decision that further erodes prohibitions against interstate branch banking, Utah authorities have allowed BankAmerica Corp. to operate a Salt Lake City office as a unit of its Arizona-chartered bank.

BankAmerica has obtained full banking privileges in Utah and may open more branches if it wishes. Previous interstate branching decisions have limited the number or location of offices.

"This is the first effective creation of a multistate bank since the Civil War," said Michael Roster, a lawyer with Morrison & Foerster, Los Angeles, who worked for BankAmerica to obtain regulatory approval.

ANALYSIS: *Follow-up on the news*

Lawyers and banking regulators familiar with the case said the ruling sets a precedent that could ease the way for further interstate branching by state-chartered banks. "It's a harbinger of things to come," said James B. Watt, president and chief executive of the Conference of State Bank Supervisors.

Utah Office Purchased

BankAmerica acquired the Utah office as part of its $81 million purchase of some Western Savings and Loan Association assets and liabilities from the Resolution Trust Corp. at the end of May. Western had 61 offices in Arizona and a lone branch in neighboring Utah.

On acquiring Western, BankAmerica immediately converted it from a thrift to a state-chartered commercial bank.

As part of the package of regulatory approvals needed for the deal to go ahead, Utah's top banking official formally allowed BankAmerica to operate the Salt Lake City branch as a full-service office using the Arizona charter.

Bowing to the Inevitable

George R. Sutton, the Utah commissioner of financial institutions, said he permitted BankAmerica to operate with an out-of-state charter not because of special circumstances but because he believes that states must accommodate interstate branching.

Congress is considering legislation that would permit nationally chartered banks to branch across state lines. That is a signal, Mr. Sutton said, that states must get on the bandwagon.

"If states do not go along with

See **UTAH** *page* **14**

INSIDE NEWS

MANAGEMENT

MANY AIRLINES, hotels, and car rental firms are offering price breaks to banks that can guarantee some flow of travel dollars. *Page 8*

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WASHINGTON

RICHARD BREEDEN, chairman of the Securities and Exchange Commission, called for radical reforms in banking laws, including a dismantling of the barrier separating banking from commerce. *Page 2*

FINANCE

CITYTRUST BANCORP shares have been rising in a down market for bank stocks, and analysts are hard pressed to explain the strength. *Page 20*

COMMENT

MARKETING COSTS can be rationalized on the basis of analysis of the economic value of various loan products, writes Sanford Rose. *Page 4*

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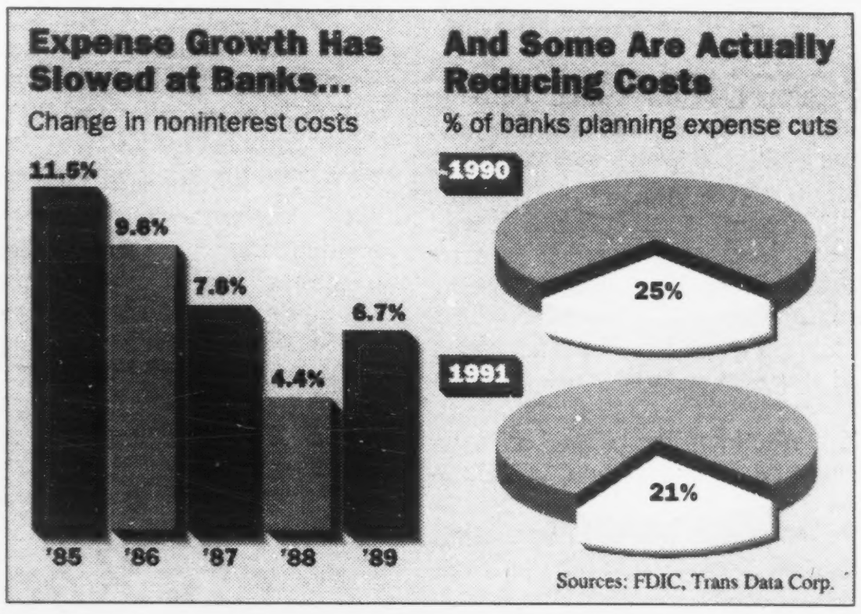


Cost Cutting Gains Momentum As Sources of Revenue Dry Up

By PHIL ROOSEVELT

NEW YORK — Commercial banks' cost-control drive, increasingly visible in recent weeks, has only just begun.

Faced with weak earnings and sluggish loan growth, banks across the country have been moving aggressively to cut their noninterest expenses, such as personnel, branches, and back-office systems.

Bankers and analysts said the increased austerity will shape banks' 1991 budgets, which are now in preliminary planning stages.

"We are looking at 1991 as another year in which we will be giving a lot of attention to cost control," said J. Robert Lee, chief financial officer of First Union Corp., Charlotte, N.C. He hopes to cap cost increases to 3%, despite an expected inflation rate of 4% to 5% and hefty increases in postal rates and deposit insurance premiums.

Out-and-Out Reductions

Many banks have striven in recent years to better control the annual growth of their noninterest expenses. But now, a significant portion of the industry appears to be going a step further and actually reducing the expenses.

A recent survey of 32 banks by Trans Data Corp., an affiliate of the *American Banker*, found that 25% were cutting costs this year, by magnitudes ranging from 3.5% to 15% from 1988 levels. The greatest reductions were reported by larger banks.

Moreover, 21% of those surveyed already have plans to cut costs in 1991.

Such reductions were far more rare just two years ago, consultants and analysts said. They

See **REVENUES** *page* **8**

U.S. Files 500 Suits Against Former Bank, S&L Officials

By DEBRA COPE
and BILL ATKINSON

WASHINGTON — In a dragnet that could eventually snare the son of President George Bush, federal investigators have filed more than 500 lawsuits against former directors and officers of failed banks and thrifts.

The Federal Deposit Insurance Corp. chairman, L. William Seidman, disclosed the number of legal actions in a House subcommittee hearing on Wednesday. He did not discuss the case of Neil Bush, the President's 35-year-old son, a former director of a failed thrift in Colorado.

Substantial Penalties Sought

Probes of 550 banks and 350 thrifts under the FDIC's control and 400 thrifts in the Resolution Trust Corp.'s caseload have led to the professional liability suits seeking civil penalties ranging from $1 million to $1 billion, Mr. Seidman, who is also chairman of the RTC, told the House Judiciary subcommittee on criminal justice.

Neil Bush fits in the category of those targeted by investigators sifting through the ruins of failed institutions. The younger Mr. Bush was a director of the defunct Silverado Banking, Sav-

See **500 SUITS** *page* **11**

U.S. Orders 20% Writedown on Latin Lending

By JAMES R. KRAUS

NEW YORK — Regulators ordered U.S. banks on Wednesday to write down their medium- and long-term loans to Argentina and Brazil by 20% in the third quarter.

The writedowns will have no immediate impact on earnings, since banks will use existing reserves against loan losses to cover them, bankers and analysts said. However, the move may force some banks with low reserves – including Citicorp and Chase Manhattan Corp. – to replenish them later.

Total of Lending

U.S. banks had outstanding loans of $16.3 billion to Brazil at yearend, of which nearly $10 billion are medium and long term. Loans to Argentina totaled $4.5 billion, of which $3.4 billion are

See **ORDERS** *page* **12**

U.S. Banks Increase Dominance In Global Syndication of Loans

By JOHN EVANS

LONDON — U.S. banks are tightening their grip on the international loan-syndication market this year, a British magazine survey shows.

Nine of the top 10 global loan syndicators in the first half of 1990 were U.S. banks, according to *International Financing Review*, an *American Banker* affiliate. U.S. banks took six of the top 10 positions in the first six months of 1989.

The U.S. dominance of the global syndication business came despite a 30% drop in corporate borrowing at home, to $68 billion from $97 billion in the same period a year earlier. European funding expanded 13.5% to $46.3 billion from $40.8 billion.

Total syndicated lending in the first half dropped 18% to a total of $136.8 billion from $167.4 billion a year ago, the

See **U.S.** *page* **12**

The Global Leaders
International loan syndications for the first half of 1990

Bank	Volume (in billions of dollars)	Number of loans
Citicorp	$31.1	42
Chemical	15.4	24
National Westminster	14.7	33
J.P. Morgan	14.6	13
First Chicago	16.6	22
Bank of America	12.5	24
Manufacturers Hanover	10.0	45
Bankers Trust	9.9	21
Chase Manhattan	9.7	35
Continental Bank	8.8	12

Source: International Financing Review

COMMENT / *By Sanford Rose*

Determining Loan Values And Marketing Outlays

How much money should a bank spend to market a given type of loan? At most banks marketing expenditures depend more on educated guesses than on scientific evaluations. Yet it is possible to rationalize marketing costs based on an analysis of the economic value of various loan products. Such an analysis will reveal the amount of money that can be allocated to product sourcing or marketing while still preserving an acceptable level of loan profitability.

To determine the appropriate level of marketing expenditures, banks must do a capital-budgeting analysis of loan types, taking into consideration their size, term to maturity, interest rate, the expenses involved in booking and servicing, expected losses, and the cost of both the internal and external funds used to finance them.

As pointed out by Michael Lenora, vice president for marketing at The Walter Latham Co., a direct-marketing agency specializing in financial services and domiciled in Broadview, Ill., determining the economic value of a loan is conceptually similar to determining the value of the lender. Both values depend on discounting a complete set of future cash flows by the appropriate cost of capital.

Determining Discount Rates

The value of a loan is determined by comparing the discounted present worth of the cash flows it will generate in the future with the current cost of making the loan. The trick, of course, is to choose appropriate discount rates.

Since a lender assembles funds from both outside creditors and shareholders, he must

discount future cash flows at rates that provide acceptable returns to each class of funds provider. The rate of return demanded by outside creditors is the rate of interest at which they lend. The return demanded by equity holders is determined by the opportunity cost of equity – the return that could have been earned had the shareholders put their money in other equity investments of comparable risk.

Thus the appropriate discount rate is a composite number, reflecting both the cost of debt and the usually much higher cost of the equity component of investable funds. If the discount rate is properly computed, it already incorporates the return required by debtholders and that which is minimally acceptable to shareholders.

Generating Excess Returns

Hence the lender is justified in making the loan if the discounted present worth of its net cash flows (future revenues minus initial and future expenses) is just equal to the loan size. If the present value of the net cash flows exceeds the loan size, the lender is generating excess returns, which can be retained, serving to boost stock values, or else earmarked to appropriate marketing expenditures. Thus, the level of permissible marketing outflows emerges as a by-product of a careful discounted cash-flow analysis.

Mr. Lenora of The Walter Latham Co. has analyzed the excess returns, or permissible marketing costs, available from installment loans of various types and terms. He finds, for example, that for installment loans of $10,000 made at an 18% rate of interest for 48 months, the excess value, assuming 4% losses, $50 initial booking expense, and $12 monthly maintenance, amounts to about $445.

In other words, $445 is the

See **COMMENT** *page* **5**

THE LOBBYISTS

Common Cause Lists The D.C. Recipients Of Columbia Largess

California's **Columbia Savings** and Loan, the once high-flying Beverly Hills thrift now under scrutiny by authorities, was uncommonly generous in its political contributions, according to a study by **Common Cause**, the self-proclaimed "citizens lobby."

In the nine-year period ended in April, Columbia executives and their spouses gave a total of $284,900 to congressional candidates and political party committees, the study found.

Louise Krafft

Rep. Donald W. Riegle
Michigan Democrat

The top recipient was Senate Banking Committee Chairman Donald W. Riegle, D-Mich., who also received large contributions from individuals associated with the failed Lincoln Savings and Loan, Irvine, Calif.

Mr. Riegle received $29,000 from Columbia executives and spouses, beating out Sen. Jake Garn, R-Utah, who received $25,200 during the period under study. Mr. Garn is the committee's ranking Republican and was its chairman.

The Common Cause disclosure comes after the Office of Thrift Supervision filed civil action against Columbia and former chairman Thomas Spiegel. The OTS wants to collect $24 million that it alleges Mr. Spiegel squandered on corporate jets, lavish bonuses, vacation condominiums, and other extravagances.

While Mr. Spiegel and his associates paid closest attention to the Senate Banking Committee chairman and ranking Republican, other members were treated well.

Next in line were Sen. Timothy E. Wirth, D-Colo., with $17,500; Sen. Bob Packwood, R-Ore., $17,000; Sen. Pete Wilson, R-Calif., $15,500; Sen. Alan Cranston, D-Calif., $13,500; Sen. Howard M. Metzenbaum, D-Ohio, $11,000; and Sen. Alfonse M. D'Amato, R-N.Y., $7,000. Mr. Wirth, Mr. Cranston, and Mr. D'Amato are members of the banking committee.

House members made the list too. Rep. Howard L. Berman, D-Calif., received $5,000, while Rep. Lee H. Hamilton, D-Ind., and Rep. Carroll Hubbard Jr., D-Ky., both got $4,000.

Former Rep. Fernand J. St Germain, D-R.I., the chairman of the House Banking Committee until his defeat in 1988, received $15,700.

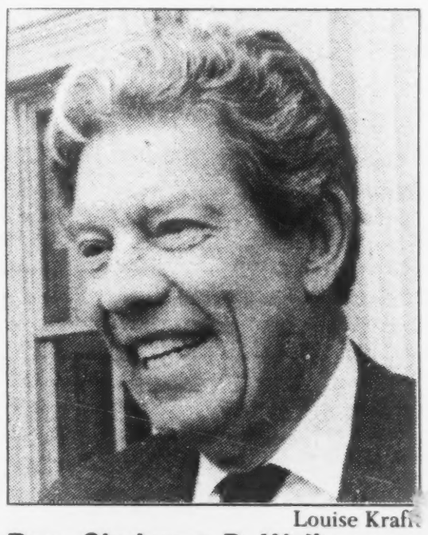
The Democratic party fared even better. The Democratic National Committee and the two Democratic campaign committees received a total of $66,850, Common Cause said. The Republican National Committee received $1,000. But lest anyone feel sorry for the Republicans, Common Cause said Mr. Spiegel made a soft-money contribution of $100,000 to President Bush's 1988 campaign.

* * *

Bank Directors Take Aim at Crime Bill

A fledgling trade group representing bank directors has charged that a crime bill sponsored by Chalmers P. Wylie, R-Ohio, could drive away directors from serving on boards of banks and savings and loans.

The **American Association of Bank Directors** is taking issue with several provisions in the Financial Crimes Punishment and Prevention Act of 1990, backed by such heavyweights as House Banking Committee



Louise Krafft

Rep. Chalmers P. Wylie
Ohio Republican

Chairman Henry B. Gonzalez, D-Tex.; Frank Annunzio, D-Ill.; and Doug Barnard Jr., D-Ga.

In short, the legislation cracks down on bank and S&L executives who commit financial crimes.

Although it agrees with the spirit of the law, the association charges that the legislation is drafted so broadly that unwitting directors who sit on the board of a failed institution could have their assets frozen as well as tax returns released to banking agencies.

"It [the legislation] is overly broad," said David H. Baris, executive director of the Washington-based trade association. "Those directors who read it carefully will be scared."

Mr. Baris said the association believes that freezing assets may be unconstitutional. Mr. Baris said the group has about 200 members, but he would release only the names of the association's advisory committee, which includes Alfred M. Pollard, director of federal government relations, **Security Pacific** Corp.; Dana H. Cook, partner and national director of financial institution capital markets, **KPMG Peat Marwick;** and William Resnik, senior counsel of Seattle-based **Seafirst** Bank.

The association also takes issue with with an amendment made to the legislation on June 28 that increased the financial risk to directors. The House Banking financial institutions subcommittee took the action without holding a hearing.

According to the association, the amendment permits a banking agency to have a court issue a restraining order prohibiting any party subject to a civil cease and desist order or other actions from withdrawing, transferring, or disposing of assets.

The association has requested a hearing.

* * *

Laundering Bill Gets Thumbs-Up from ABA

The banking community is generally pleased with the Senate version of money-laundering legislation that will be considered by the Senate Banking Committee on July 17. In particular, the **American Bankers Association** is pleased with a new provision that shields a company from liability if it acquires an institution that violated money-laundering laws.

However, the trade group listed a number of concerns in a June 26 letter to Sen. Donald W. Riegle, D-Mich., the banking committee chairman. For example, the bill's removal provisions may be too harsh, the ABA said.

"While removal authority is justified for individuals who violate money-laundering laws, removal for record-keeping violations of the Bank Secrecy Act may be in the majority of cases inappropriate and in our opinion should be addressed through civil penalties," the letter said.

— Robert M. Garsson and Bill Atkinson

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Editor: Fred R. Bleakley
Managing Editor: Thomas J. Ferris
Asst. Managing Editor: Jeffrey Kutler
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News Editors: Winnie O'Kelley, Eric M. Starkman
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COPY EDITORS
Martin Barolsky (assistant chief), Christine Arax, Terry Bormann, Edward Kulkosky, Robert Paul Molay, Jane Sandiford

ART
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FEATURES
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STATISTICS
Harvey Glassman, John Ferring

Contributing Editor: Paul S. Nadler
Editorial Assistants: Lenore Adams, Jackie Albritton, Matthew H. Barthel, Rita Kay Meyer, Lou Schwartz

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GLOBAL *dispatches...*

Amro Cuts a Merger Link To Clear Way for Another

By JOHN EVANS

LONDON — Amsterdam-Rotterdam Bank cut its last links with Belgium's Generale Bank on Wednesday, paving the way for merger with Amsterdam-Rotterdam's fellow Dutch bank, Algemene Bank Nederland.

Amro said that its chairman, Roelof Nelissen, had resigned from Generale Bank's supervisory board. Also, Generale's chairman, Paul Janssen, has left the Dutch bank's board.

The Last Remaining Links

The seats on the respective boards were the only links that remained after merger plans were abandoned in August 1989. The two banks had planned to merge to compete better when the European Community becomes a single market in 1992. But their plans were scuttled because of legal, tax, and supervisory problems.

Amro's deal with Alegemene Bank Nederland is intended to strengthen its position at home and abroad.

"We're back to where we started – good friends, that's all," said an Amro spokesman.

The proposed Dutch merger, first announced in March, will create Europe's seventh-biggest bank, with $170 billion in assets, and one of the world's top 30 banking companies.

Amsterdam-Rotterdam and Algemene Bank Nederland have made it clear that their merger is aimed not only at speeding their banks' ability to expand abroad but also at strengthening their combined position in their own domestic market.

Strong capitalization is required "if you want to be a global player from a small market like the Dutch," said ABN chairman Robert Hazelhoff. "A merger would put us among the top banks and allow us to expand rapidly." □

THE WORLD'S TOP BANKS

TOP 500 WORLD BANKS
BY ASSETS
July 26, 1990
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Japanese Banking

TOP 1000 WORLD BANKS
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July 27, 1990
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U.S. Orders Writedown on Latin Loans

Continued from *page* **1**

medium and long term.

Regulators ordered banks to write down their loans to Argentina by 40% last year after the country suspended interest payments. The latest writedowns mean regulators do not expect banks to collect more than 40 cents on the dollar of their loans to the Latin American country.

Argentina resumed nominal interest payments of $40 million a month in June. Brazil has not paid any interest on its foreign commercial bank debt since March 1989.

Wednesday's action by the Interagency Country Exposure Review Committee was the first time banks have been ordered to write down Brazilian loans. The regulatory agency comprises nine representatives from the Federal Reserve Board, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corp.

"Argentina is an anticipated continuous writedown, but Brazil is a new name in the equation," said James J. McDermott, executive vice president with Keefe, Bruyette & Woods Inc. in New York.

The level of reserves against losses on Third World loans varies widely. J.P. Morgan & Co., for example, is reserved for 100% of its loans.

Citicorp, however, is reserved for only 38% of its medium- and long-term loans, Manufacturers Hanover Corp. for 35%, BankAmerica Corp. for 41%, and Chase Manhattan Corp. for 45%, according to Keefe Bruyette.

"Argentina is an anticipated continuous writedown, but Brazil is a new name in the equation."

James J. McDermott
Keefe, Bruyette & Woods Inc.

Citicorp will not be affected by the latest Argentine writedown since it wrote off 60% of its loans to the country last March, on its own initiative.

The reserves of Citicorp and other major banks will be seriously depleted by the Brazilian writedown.

At yearend, Brazil owed Citicorp $3.9 billion, BankAmerica Corp.$2.65 billion, Chase Manhattan Corp. $2.3 billion, Manufacturers Hanover Trust Co. $2 billion, and Chemical Banking Corp. $1.5 billion.

Argentina owed Citicorp $900 million, Manufacturers Hanover $888 million, Chase $580 million, J.P. Morgan $400 million, and BankAmerica $380 million.

Although banks stand to gain tax deductions from the writedowns, they will be of little benefit due to lackluster earnings.

"Profits are at depressed levels and tax deductions are about the last thing banks need now," said J. Richard Harvey Jr., a partner with Price Waterhouse.

The writedown order apparently took bankers by surprise. Few of them expected the U.S. government agency to order additional writedowns because both Argentina and Brazil were moving to open talks with their banks. □

U.S. Banks Build Dominance in Global Syndication

Continued from *page* **1**

magazine reported.

U.S. banks are "learning earlier than most banks" to adjust to the tougher lending climate, said Rudiger Eisenhart-Rhote, a managing director at Chase Manhattan Corp. "Necessity is a very forceful innovator."

Guidelines issued by the Bank For International Settlements require banks to back their loans with more capital. International loan syndications have become increasingly attractive because they pool risk among a group of banks, requiring participating banks to put up smaller amounts of capital.

And the big banks that arrange syndications also welcome the much-needed fees that they collect for their efforts.

While money-center banks such as Citicorp have historically been major forces in loan syndications, they have rarely dominated to the extent seen this year, bankers said.

For example, Chemical Banking Corp., ranked 19th in first-half 1989 lending, jumped to second place this year. Continental Bank Corp., ranked 17th a year ago, is now in 10th position. The only non-American to figure in the top 10 is Britain's National Westminster Bank PLC, standing in third place.

Successes in Europe

Europe's banks were not unduly favored by the surge in corporate borrowing in their home market. Citicorp has won the key coordinator role in a $1 billion loan currently being sought by Enimont, an Italian industrial concern.

J.P. Morgan & Co. won prestigious deals like the $1.4 billion loan facility for Bayerische Motorenwerke (BMW), the German automaker. Morgan has also received the mandate to raise $1 billion for West German industrial group Thyssen AG, acting together with Deutsche Bank AG as colead manager.

"U.S. banks, including ourselves are having some notable successes in capturing European loan business which formerly would have undoubtedly gone to European relationship banks, a move definitely helping our rankings this year," said Morgan's Hugh Payton, vice president and loan-syndications head.

Citicorp: Most Active

Citicorp was by far the most active arranger in volume terms, syndicating just over $31 billion or almost double that of its nearest rival, Chemical Bank, with $15.4 billion.

Only two Japanese banks figure among the 20 leading lenders, a big reversal over previous years when Tokyo banks were among the main sources of global loan financing. But U.S. bankers said much of this past clout hinged more on the ability of Japanese lenders to book assets easily than their skills as loan arrangers.

"The Japanese have really pulled back and this has caused big changes in the [loans] market. They now closely scrutinize every loan for profitability, Mr. Payton said. □

Key International Rates*

	Day-to-day money			3-mo. interbank			6-mo. interbank			Discount rate			Prime equivalent		
	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03	7/11	7/10	7/03
United States	8.37	8.43	8.31	8.37	8.37	8.31	8.43	8.43	8.37	7.00	7.00	7.00	10.00	10.00	10.00
Japan	7.31	7.25	7.50	7.65	7.65	7.65	7.67	7.71	7.68	5.25	5.25	5.25	7.13	7.13	7.13
Canada	14.12	13.37	13.37	13.62	13.50	13.50	13.37	13.25	13.25	13.73	13.73	13.83	14.75	14.75	14.75
U.K.	15.00	14.87	15.00	15.00	14.93	14.93	14.93	14.87	14.87	14.33	14.33	14.32	15.00	15.00	15.00
West Germany	8.31	8.31	8.12	8.37	8.37	8.25	8.56	8.56	8.50	6.00	6.00	6.00	10.50	10.50	10.50
Switzerland	9.00	9.37	9.31	9.06	9.25	9.06	8.87	9.06	8.93	6.00	6.00	6.00	11.38	10.38	10.88
France	10.12	10.00	10.06	10.18	10.12	10.12	10.31	10.25	10.25	9.50	9.50	9.50	10.50	10.50	10.50
Italy	11.62	10.62	12.00	11.25	11.25	11.37	11.37	11.37	11.50	12.50	12.50	12.50	13.00	13.00	13.00

Forward Rate Agreements

	U.S. dollars	Sterling	West German marks	Swiss francs	Yen
3 to 6 months	8.31	14.44	8.56	8.57	7.64
6 to 12 months	8.41	13.64	8.82	7.94	7.59
12 to 24 months	8.98	12.85	9.02	7.35	7.25

* Midday quotes in the New York market

Source: Noonan, Astley & Pearce Inc., New York

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STATISTICAL REFERENCE INDEX
JOHN P KENNEDY
4520 EAST - WEST HIGHWAY
SITE 800
BETHESDA MD 20814

TOP 100 MORTGAGE COMPANIES
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AMERICAN BANKER

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This Is Friday, So Expect Tales Of Big Seizure

By TOM LEANDER

NEW YORK — Boston has become the banking industry's rumor hub.

Every Friday – the day the Federal Deposit Insurance Corp. usually seizes troubled financial institutions – whispers abound in Boston that Bank of New England may be targeted for takeover.

The FDIC has declined to comment. And Bank of New England officials said they have reassurances from the agency that such a move is not imminent.

Nevertheless, the rumors fly. They first circulated when the bank announced a $1.1 billion fourth-quarter loss because of massive real estate loan problems. And several recent developments have fed the rumor mill.

ANALYSIS: *Follow-up on the news*

• Two weeks ago, a senior FDIC official predicted that the bank insurance fund could decline by as much as $2 billion this year if real estate problems persist and any large bank fails. Since the FDIC typically takes in $4 billion a year, that would imply losses of about $6 billion. Such a loss could only be produced by the failure of a bank the size of Bank of New England.

• In late June, a horde of FDIC examiners suddenly checked into Boston hotels, registering as employees of a mysterious concern, the Who Co. No one – including the FDIC – has produced an exact number of examiners. Reports have said 100. Some analysts said the total may have reached 300, then declined. At any rate, most agree that too many examiners are on hand for just the takeover of a string of smaller banks.

• Last month, two investment bankers advising major bondholders claimed that a Bank of New England Corp. vice chairman told them "one or more" subsidiary banks were in danger of failing within months. R.T. McNamar has denied he made that statement or that the conversation even took place. Some observers believe the report, however.

Bank of New England Corp. has four subsidiary banks. The obvious target for a seizure would be the flagship Bank of New England unit in Boston, analysts said. It has $15 billion in assets.

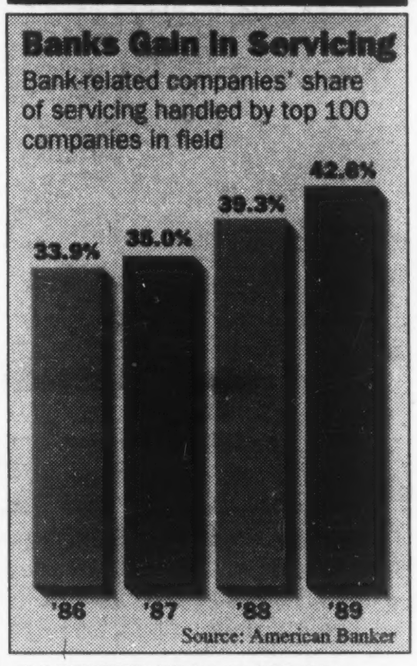
Other Subsidiaries Vulnerable

And some have suggested that, simultaneous with a Bank of New England seizure, regulators might take over the $9 bil-

See **ANALYSTS** *page* **16**

INSIDE NEWS

MORTGAGES



COMMERCIAL BANKS, as part of their broad push in home mortgage finance, have been posting big gains in the business of servicing mortgages for investors, an American Banker survey shows. *Page 8*

FINANCE

MERITOR SAVINGS Bank, continuing a drive to shrink assets and improve capital ratios, announced a series of moves that will result in a second-quarter loss of $138 million and a substantial increase in primary capital. *Page 20*

INTERNATIONAL

U.S. BANKS are unlikely to replenish soon reserves depleted by mandated writedowns on their Brazilian and Argentine loans. *Page 12*

CONSUMER

CLOSE SCRUTINY of small businesses, with judicious use of data bases, can help lenders choose the best prospective customers. *Page 6*

TECHNOLOGY

RECENT COURT RULINGS indicate that banks may be unable to collect operating fees when acting as trustee for a corporation that enters bankruptcy proceedings. *Page 3*

COMMENT

NEW AVENUES have opened to banks seeking enhanced revenues and customer relationships through insurance products and services, writes Philip S. Corwin. *Page 4*

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ATM Derby: Diebold, IBM Join Forces

By RICHARD LAYNE

NEW YORK — In a bid to lead the global market for automated teller machines, Diebold Inc. and International Business Machines Corp. have agreed to form a joint company to manufacture and market self-service banking devices worldwide.

The joint venture gives Diebold a substantial marketing presence in the hot European market and access to IBM's research and development, placing the company on at least equal footing with its computer company rivals.

NCR Is the Leader

IBM and Diebold plan to develop a new generation of self-service machines, using advanced technologies that will allow the machines to grant loans and accept bank documents.

Together, the two companies still trail NCR Corp., the worldwide market leader. According to *The Nilson Report*, an industry newsletter, NCR shipped 15,800 units last year, more than double Diebold's 7,301. IBM shipped 2,955 machines. If the joint venture can overtake NCR in the European market, it could

See **DIEBOLD** *page* **3**

Fed Set to Go Beyond Capital Rules of 1992

By ROBERT M. GARSSON

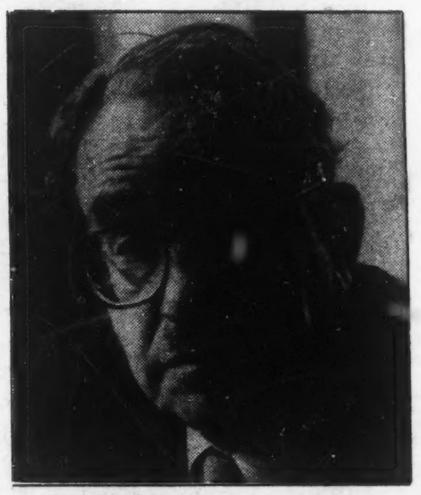
WASHINGTON — The Federal Reserve Board is working on a proposal to require increases in bank capital levels well above the risk-based standards that regulators are phasing in over the next two years, Fed Chairman Alan Greenspan said on Thursday.

In a wide-ranging policy statement before the Senate Banking Committee, Mr. Greenspan did not give specifics on the increase in capital requirements but said they would be "not insignificant" over an extended period.

The minimum would go higher than the 8% ratio of total capital to risk-based assets that the United States and other major countries have agreed to impose by the end of 1992. About 90 of the 100 largest U.S. banks had already hit the 8% level by year-end 1989.

Limits on Expansion

Banks falling short of capital requirements should not be permitted to expand into new lines of business, Mr. Greenspan added, because insufficient capital could threaten the "federal safety net." He said arguments that higher capital standards would place U.S. banks at a disadvantage against international competitors are "short-sighted."



Alan Greenspan
Federal Reserve chairman

"Too many banking organizations, in our judgment, have traveled too far down the road of operating with modest capital levels," he said.

Bank Stocks Driven Down

Mr. Greenspan's threat, made in remarks Thursday morning, to increase the capital burden helped drive down money-center bank stock prices. Chase Manhattan Corp. and Manufacturers Hanover Corp. were off $1 much of the day. Chemical Banking Corp. fell 75 cents to $24.125 in late trading, and Bank of New York fell 62.5 cents to $30.625. (See market report

See **FED** *page* **11**

Visa, Paying a Fee of $20 Million, Sees Gold in Olympic Sponsorship

By YVETTE D. KANTROW

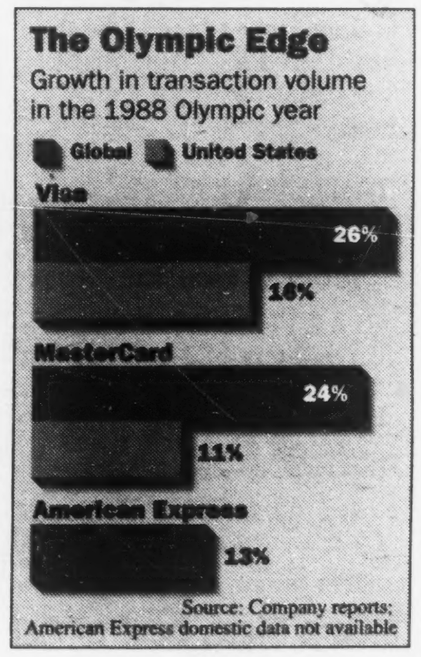
NEW YORK – Visa is renewing its corporate sponsorship of the Olympic Games – a strategy that in 1988 proved to be one of the most successful in its history.

The San Mateo, Calif.-based card association plans to sign a pact today making Visa the official card and travelers check for the Games. Visa is paying an estimated $20 million for that privilege and will gain the right to use the Olympics' logo of five-interlocking rings in promotions worldwide.

In addition to the sponsorship fee, Visa International is expected to spend $50 million to $60 million on related advertising and marketing campaigns by the time the 1992 events are completed in Albertville, France, and Barcelona, Spain. Advertising will include television, radio, and print efforts with an Olympics theme, and a number of special promotions.

A Cause-Related Drive

As it did for the last Olympics, Visa will sponsor a major cause-related marketing campaign under which it will make a small contribution to the U.S. team each time one of its payment products is used.



"No one gets the value out of the sponsorship fee that we do," said John H. Bennett, a Visa senior vice president who has been instrumental in aligning the card company with various sports

See **VISA** *page* **6**

MNC Foresees Quarterly Loss Of $75 Million

By FRED VOGELSTEIN

Adding to investor fears about the Middle Atlantic commercial real estate market, MNC Financial Inc. announced Thursday that its problem loans would more than double and that it would report a $75 million loss for the second quarter.

The bank said in a press statement revealing preliminary results for the quarter that nonperforming assets rose to $750 million from $359 million and its loss would equal 90 cents a share. It said the loss was primarily due to problem loans for commercial real estate.

Largest in Capital Area

The increase raises the bank's ratio of nonperforming loans to loans outstanding to 5.35%, substantially more than the 2% to 3% that analysts have been considering normal recently. With $25 billion in assets, MNC is the largest banking company in the Baltimore-Washington area.

Analysts and an investor said

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